

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 700 – HB 1097

April 4, 2017

SUMMARY OF ORIGINAL BILL: Extends indefinitely the provisions of the *County Road Relief Act of 2015* (CRRA), that authorized any county having an unexpected balance of funds accrued in the state treasury, available for the benefit of the county in the state highway aid system, to use the balance in whole or in part, for providing the local government share for a project initiated during FY15-16 or FY16-17, provided the county contributes at least two percent of the approved project costs from county funds, or from in-kind project work approved by the Commissioner of the Department of Transportation.

FISCAL IMPACT OF ORIGINAL BILL:

Other Fiscal Impact – Enables counties to make a permissive, non-recurring increase in expenditures for local roads. The extent of any temporary spending increase cannot be determined from available information, but it represents a shifting forward of expenditures for local roads from future years rather than an overall increase in expenditures for local roads.

SUMMARY OF AMENDMENT (006751): Deletes all language after the enacting clause. Extends to FY17-18 and FY18-19 the provisions of the *County Road Relief Act of 2015* (CRRA), that authorized any county having an unexpected balance of funds accrued in the state treasury, available for the benefit of the county in the state highway aid system, to use the balance in whole or in part, for providing the local government share for a project initiated during FY15-16 or FY16-17, provided the county contributes at least two percent of the approved project costs from county funds, or from in-kind project work approved by the Commissioner of the Department of Transportation. Establishes that the provision will expire on July 1, 2019.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Other Fiscal Impact – Enables counties to make a permissive, non-recurring increase in expenditures for local roads in FY17-18 and FY18-19. The extent of any temporary spending increase cannot be determined from available information, but it represents a shifting forward of expenditures for local roads from future years rather than an overall increase in expenditures for local roads.

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Assumptions for the bill as amended:

- Pursuant to Tenn. Code Ann. § 54-4-404, a portion of the state gas tax is allocated to each county to support construction and maintenance of local roads. These funds remain available to the counties until expended, but subject to a restriction that no more than 75 percent of the cost of any local road project may be drawn from these funds (with at least 25 percent of the cost covered by other local funds).
- These allocated state gas tax funds for each county are available only to that county, spent at the discretion of that county, and cannot be reduced or reallocated under current law.
- The CRRA temporarily lowered the ratio of other local funds required for a county to draw from its allocated state gas tax funds, down to two percent (from 25 percent), to encourage counties to undertake certain road projects sooner than they might have otherwise.
- CRRA only applied to projects initiated during FY15-16 or FY16-17 and was set to expire on July 1, 2017. This bill will effectively extend the provisions of the CRRA through July 1, 2019.
- As a result, local government expenditures on roads in FY17-18 and FY18-19 could increase relative to what would have occurred otherwise under current law, upon expiration of the CRRA.
- For each \$1,000,000 of costs on any road project undertaken, under the provisions of this bill, the reduction in support required from other local funds could be as much as \$230,000 $[(\$1,000,000 \times 25\%) - (\$1,000,000 \times 2\%)]$.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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